

## Bank Credit Profile: Subdued credit growth continues in April 2021

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Note: Gross bank credit and non-food credit data based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data based on sector-wise and industry-wise bank credit (SIBC) return, which covers banks accounting for ~90% of non-food credit extended by SCBs for April 2021. Growth comparisons are in y-o-y terms, unless stated otherwise.

### Overview

The non-food credit growth witnessed an uptrend in April 2021 and grew by 5.7% y-o-y as compared with a growth of 6.8% in April 2020. The risk aversion from both borrowers and lenders failed to report a pick-up in bank credit growth, despite of low base of previous year (initial period of lockdowns). The overall credit growth has continued to moderate due to risk aversion and continued parking of excess liquidity with RBI. In addition, the growth in large industries and slower growth in services segment has also restricted the overall bank credit growth. The agriculture & allied and retail segments have continued to drive the overall credit growth during the month of April 2021 growing by 11.3% and 12.6%, respectively. The Services segment registered a marginal growth of 1.2% y-o-y in April 2021, while the Industries segment grew by 0.4% during the same period as compared with a growth of 1.7% in April 2020.

The incremental Non-Food outstanding credit for the month fell in line with general activity wherein April month typically witnesses unwinding of closing adjustments made in the month of March. The fall was 0.8% for April 2021 in line with the decline witnessed in April 2020.

Figure 1: Sectoral Distribution of Credit: April 2021

Particulars	Outstanding credit As on Apr 23, 2021 (Rs Lakh Crore)	% growth in credit		% growth in incremental credit	
		Apr'20 over Apr'19	Apr' 21 over Apr' 20	Apr' 20 over Mar' 20	Apr' 21 over Mar' 21
<b>Gross Bank Credit</b>	<b>108.6</b>	<b>6.8%</b>	<b>5.7%</b>	<b>-0.9%</b>	<b>-0.8%</b>
<b>Food Credit</b>	0.6	<b>22.0%</b>	<b>10.8%</b>	1.7%	<b>-4.8%</b>
<b>Non-food Credit</b>	<b>108.0</b>	<b>6.7%</b>	<b>5.7%</b>	<b>-1.0%</b>	<b>-0.8%</b>
<b>Agriculture &amp; Allied Activities</b>	<b>12.9</b>	<b>4.7%</b>	<b>11.3%</b>	<b>0.2%</b>	<b>-0.7%</b>
<b>Industry (Micro &amp; Small, Medium, and Large)</b>	<b>29.0</b>	<b>1.7%</b>	<b>0.4%</b>	<b>-0.7%</b>	<b>-0.8%</b>
Micro, Small & Medium	5.2	<b>-3.2%</b>	<b>12.5%</b>	<b>-6.1%</b>	<b>-0.9%</b>
Large	23.8	2.7%	<b>-1.9%</b>	0.4%	<b>-0.7%</b>
<b>Services</b>	<b>25.9</b>	<b>10.6%</b>	1.2%	<b>-1.3%</b>	<b>-1.5%</b>
Trade	6.1	8.7%	<b>10.5%</b>	<b>-0.2%</b>	<b>-1.4%</b>
Commercial Real Estate	2.3	<b>14.8%</b>	2.2%	0.1%	<b>-0.3%</b>
Non-Banking Financial Companies (NBFCs)	9.2	<b>29.6%</b>	3.4%	<b>-1.2%</b>	<b>-2.3%</b>
<b>Personal Loans</b>	<b>28.1</b>	<b>12.3%</b>	<b>12.6%</b>	<b>-2.3%</b>	<b>-0.1%</b>
Housing	14.6	<b>14.3%</b>	<b>9.5%</b>	<b>-0.2%</b>	0.2%
Vehicle Loans	2.4	<b>8.6%</b>	<b>11.7%</b>	<b>-1.7%</b>	0.3%

Note: Gross bank credit and non-food credit data are based on Section - 42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 90% of total non-food credit extended by all SCBs. Red – negative growth, Grey – growth < 5%, Green - growth > 5%; Source: Reserve Bank of India

### Retail/Personal loans

The growth rate of the retail/personal loans segment at 12.6% was higher by 0.3% in April 2021 when compared with April 2020. The growth rate came in higher by 240 bps as compared with March 2021. In absolute terms, credit outstanding has increased from Rs.25 lakh crore in April 2020 to Rs.28.1 lakh crore in April 2021. The Retail/Personal loans segment has continued to be the second largest amongst the four major segments.

Within the retail segment, the housing loan segment slowed to 9.5% as compared with a growth of 14.3% last year, while growth in vehicle loans stood at 11.7% as compared with a growth of 8.6% in the same period year ago. This higher growth for vehicle loans can possibly be ascribed to the fact that April 2020 was spent under a national lockdown, while April 2021 was spent under regional lockdowns. Growth in housing loans has continued due to the intense push to increase the retail franchise, and attractive home loan interest rates. Housing loans continues to remain the single-largest segment in the outstanding credit to retail/personal loan portfolio.

Credit card outstanding (share of 4.0%) registered a double-digit growth of over 17% on a y-o-y basis as compared with 4.8% growth witnessed in the previous year. However, it is noticeable that the amount outstanding has reduced by 2.5% compared with March 2021, this drop is lower than the 10.3% decline witnessed in April 2020 indicative of a higher discretionary spending in year-on-year terms, but lower spending on a month-on-month basis. However incrementally, housing loans, vehicle loans and gold loans witnessed an increase, while the other segments reported a decline.

### **Services**

The services segment registered a significantly slower growth (y-o-y), largely due to deceleration in growth of NBFCs and Commercial Real Estate (CRE) segment. Of all the segments, trade segment (second largest segment) grew the fastest at 10.5%, while NBFCs (the largest segment) grew at a much slower rate of 3.4% versus the significantly faster rate of 29.6% witnessed last year. Transport operators, professional services and other services segment registered a de growth of 0.3%, 3% and 12%, respectively, during the month. On an incremental basis, tourism and aviation reported a positive growth rate while, the other segments all reported a decline.

### **Industry**

Large industries account for 82.2% share (84.1% share in April 2020) in the total outstanding credit to industries and this segment reported a drop of 1.9% in April 2021 compared with a decline of 0.8% in March 2021 versus a growth of 2.7% in April 2020. MSME industries grew by 12.5% in April 2021 (which offset the fall in large segments) as compared with a drop of 3.2% in April 2020. This growth has continued to be supported by the ECLGS scheme (sanctions under ECLGS scheme have been Rs 2.54 lakh crore, which is around 85% of the targeted Rs 3.0 lakh crore, the scheme has been extended to September 2021).

Of total nineteen industries, seven industries witnessed a drop in credit outstanding. Paper and paper products segment (1.2% share) have continued to register the highest growth of 13.6% within industries (growth of 3.7% in April 2020). Rubber, Plastic, and their Products segment growth stood at 9.1% as compared with a growth of 9.6% in April 2020.

Infrastructure segment, which has the maximum share of 37.7% in the total bank credit outstanding to industries, registered a growth of 3.4% in April 2021 as compared with a de growth of 0.9% a year ago. Within Infrastructure segment, airport segment registered a healthy growth of 64% followed by the road segment at 35.5% in April 2021 as compared with a growth of 3% and 0.8%, respectively in April 2020, while the ports and telecommunication segments registered a negative growth of 34.2% and 17.6%, respectively in April 2021 as compared with a growth of 25.4% and 7.2%, respectively in April 2020.

### **Lending to the priority sector**

Within priority sector, agriculture accounts for the highest share in outstanding credit followed by Micro & Small Enterprises and weaker sections. In absolute terms, the outstanding credit for MSMEs grew from Rs.11.9 lakh crore in April 2020 to Rs.12.5 lakh crore in April 2021. Till date, sanctions under ECLGS scheme were Rs 2.54 lakh crore, which is around 85% of targeted Rs 3.0 lakh crore.

### **Concluding remarks and outlook**

The bank credit growth has continued to be muted in April 2021 as lenders and borrowers remain risk averse due to pandemic led uncertainty. The bank credit was largely supported by the agriculture, retail segment and MSME disbursements under the ECLGS scheme. The growth in retail segment was driven by credit push and interest rate concessions on home loans. Additionally, keeping in mind, the requirements of the MSME sector, additional sectors have been included in the ECLGS scheme and sanctions under the scheme has been extended till September 30, 2021.

In FY21, the pandemic had created supply related disruptions due to the nationwide lockdown, however the second wave has created a demand jolt for the economy. The second wave has been more intense compared with the first wave and it has been a setback for India's fledging economic recovery.

However, the economy is expected to grow in FY22 compared to the decline witnessed in FY21. This is likely to have a direct bearing on the financial sector. The credit growth for FY22 is expected to around the 10% mark due the anticipated recovery in the economy and base effect coming into play. Retail loan segment is expected to do well as compared with industry and service segment; supported by retail credit push. The downside risks include lockdown in key states, which may impact the industrial as well as service segments. However, the extension of the TLTRO operations and on lending norms could support growth.

## Annexure

**Figure A1: Distribution of credit within Industries: April 2021**

Particulars	Outstanding credit	% growth in credit		% growth in incremental credit	
	As on Apr 23, 2021 (Rs Lakh Crore)	Apr'20 over Apr'19	Apr' 21 over Apr' 20	Apr' 20 over Mar' 20	Apr' 21 over Mar' 21
Mining & Quarrying (incl. Coal)	0.44	4.0%	2.1%	-1.0%	-3.7%
Food Processing	1.66	-1.1%	9.0%	-1.2%	0.3%
Beverage & Tobacco	0.16	26.3%	-5.4%	-0.4%	-0.6%
Textiles	2.05	-4.6%	7.7%	-1.2%	1.7%
Leather & Leather Products	0.11	-2.1%	5.4%	-2.4%	1.1%
Wood & Wood Products	0.13	6.0%	8.4%	0.9%	0.6%
Paper & Paper Products	0.36	3.7%	13.6%	1.0%	0.01%
Petroleum, Coal Products & Nuclear Fuels	0.66	48.8%	-19.0%	7.7%	-8.6%
Chemicals & Chemical Products	1.89	8.8%	-2.2%	-4.8%	1.1%
Rubber, Plastic & their Products	0.54	9.6%	9.1%	-1.3%	1.5%
Glass & Glassware	0.09	-13.9%	3.9%	-4.2%	-4.2%
Cement & Cement Products	0.50	6.4%	-14.7%	0.4%	-3.7%
Basic Metal & Metal Product	3.12	-0.3%	-12.0%	1.1%	-5.2%
All Engineering	1.48	-7.3%	-4.3%	-1.9%	0.2%
Vehicles, Vehicle Parts & Transport Equipment	0.84	6.2%	1.1%	0.0%	-0.1%
Gems & Jewellery	0.59	-11.7%	0.7%	-1.1%	-5.4%
Construction	0.97	0.5%	-1.6%	-5.1%	2.0%
Infrastructure	10.91	-0.9%	3.4%	0.1%	0.04%
Other Industries	2.46	14.8%	6.1%	-3.2%	0.02%

Note: Red – negative growth, Grey – growth < 5%, Green - growth > 5%; Source: Reserve Bank of India

**Figure A2: Credit outstanding to priority sectors**

Particulars	Outstanding credit	% growth in credit		% growth in incremental credit	
	As on Apr 23, 2021 (Rs Lakh Crore)	Apr'20 over Apr'19	Apr' 21 over Apr' 20	Apr' 20 over Mar' 20	Apr' 21 over Mar' 21
<b>Priority Sector</b>					
<b>Agriculture &amp; Allied Activities</b>	12.7	4.3%	10.7%	1.2%	0.2%
<b>Micro &amp; Small Enterprises</b>	10.6	-0.1%	-2.2%	0.3%	-4.2%
<b>Medium Enterprises</b>	1.9	-6.4%	70.8%	-15.2%	-8.3%
<b>Housing</b>	4.7	6.3%	3.1%	0.0%	0.9%
<b>Weaker Sections</b>	8.1	9.0%	4.8%	6.1%	-0.4%
<b>Others</b>	0.9	-2.5%	8.6%	-1.0%	1.3%

Note: Red – negative growth, Grey – growth < 5%, Green - growth > 5%; Source: Reserve Bank of India

**Figure A3: Overall share of segments within the Retail segment**

Industry	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021
Consumer Durables	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Housing (Including Priority Sector Housing)	53.0%	52.9%	52.6%	52.3%	52.3%	52.0%	51.9%	51.9%	52.0%
Advances against Fixed Deposits (Including FCNR (B), NRRR Deposits etc.)	2.5%	2.5%	2.4%	2.4%	2.5%	2.5%	2.4%	2.5%	2.5%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.1%	4.1%	4.2%	4.3%	4.1%	4.3%	4.2%	4.1%	4.0%
Education	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.3%	2.3%	2.2%
Vehicle Loans	8.6%	8.6%	8.6%	8.7%	8.6%	8.7%	8.6%	8.6%	8.6%
Other Personal Loans	28.7%	28.9%	29.3%	29.4%	29.6%	29.8%	30.1%	30.1%	30.2%
<b>Personal Loans</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Reserve Bank of India

**Figure A4: Overall share of segments within the Industries segment**

Industry	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021
Mining & Quarrying (incl. Coal)	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%
Food Processing	5.6%	5.3%	5.3%	5.4%	5.6%	5.6%	5.5%	5.7%	5.7%
Beverage & Tobacco	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.5%	0.5%
Textiles	6.8%	6.8%	6.8%	6.8%	6.9%	7.5%	7.3%	6.9%	7.1%
Leather & Leather Products	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Wood & Wood Products	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Paper & Paper Products	1.2%	1.2%	1.2%	1.2%	1.2%	1.3%	1.3%	1.2%	1.2%
Petroleum, Coal Products & Nuclear Fuels	2.0%	2.2%	2.2%	2.2%	2.1%	2.0%	2.2%	2.5%	2.3%
Chemicals & Chemical Products	6.3%	6.3%	6.3%	6.5%	6.4%	6.5%	6.4%	6.4%	6.5%
Rubber, Plastic & their Products	1.8%	1.8%	1.7%	1.8%	1.8%	1.8%	1.9%	1.8%	1.9%
Glass & Glassware	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Cement & Cement Products	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	1.8%	1.7%
Basic Metal & Metal Product	12.4%	12.4%	12.3%	12.1%	11.9%	11.8%	11.8%	11.3%	10.8%
All Engineering	5.0%	5.1%	5.0%	5.0%	5.2%	5.1%	5.2%	5.0%	5.1%
Vehicles, Vehicle Parts & Transport Equipment	3.2%	3.2%	3.2%	3.1%	3.1%	3.0%	3.0%	2.9%	2.9%
Gems & Jewellery	2.0%	2.0%	2.1%	2.2%	2.3%	2.2%	2.2%	2.1%	2.0%
Construction	3.7%	3.8%	3.8%	3.7%	3.7%	3.6%	3.5%	3.3%	3.4%
Infrastructure	36.8%	36.6%	36.5%	36.6%	36.3%	35.8%	36.0%	37.4%	37.7%
Other Industries	8.1%	8.0%	8.2%	8.0%	8.0%	8.3%	8.4%	8.4%	8.5%
<b>Industries</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Reserve Bank of India

**Figure A5: Overall share of segments within the Services segment**

Industry	Aug 28, 2020	Sept 25, 2020	Oct 23, 2020	Nov 20, 2020	Dec 18, 2020	Jan 29, 2021	Feb 26, 2021	Mar 26, 2021	Apr 23, 2021
Transport Operators	5.8%	5.7%	5.8%	6.0%	6.0%	5.7%	5.6%	5.5%	5.6%
Computer Software	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%
Tourism, Hotels & Restaurants	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.8%	1.9%	1.9%
Shipping	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.2%
Professional Services	6.9%	6.8%	6.9%	5.0%	5.0%	4.9%	4.7%	4.6%	4.4%
Trade	22.2%	22.0%	22.4%	22.4%	22.9%	22.8%	22.0%	23.5%	23.5%
Wholesale Trade (other than food procurement)	46.7%	46.5%	46.5%	47.8%	48.5%	49.6%	50.3%	51.7%	52.0%
Retail Trade	53.3%	53.5%	53.5%	52.2%	51.5%	50.4%	49.7%	48.3%	48.0%
Commercial Real Estate	9.0%	8.9%	8.8%	9.1%	9.0%	8.9%	8.7%	9.0%	9.1%
NBFCs	31.2%	31.2%	30.2%	30.7%	30.6%	33.6%	33.7%	35.9%	35.6%
Other Services	22.0%	22.6%	23.1%	23.9%	23.6%	21.3%	22.5%	18.5%	18.9%
<b>Services</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100.0%</b>

Source: Reserve Bank of India

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